

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-08 TRSE-00 L-03 ARA-10
STR-04 IO-13 AID-05 CIAE-00 FRB-01 INR-07 NSAE-00
USIA-15 XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01
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FM AMEMBASSY STOCKHOLM

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E.O. 11652: N/A

TAGS: ETRD, SW

SUBJECT: PROPOSAL TO SUBSIDIZE CONSULTANTS

REF: (A) STATE 77847, (B) STOCKHOLM 1094

1. INTERNATIONAL CONSTRUCTION WEEK ARTICLE OF MARCH 21 AS REPORTED IN REFTEL A IS ESSENTIALLY CORRECT. MEASURE IS CONTAINED IN BILL NO. 83, 1976/77, ENTITLED "EXPORT-PROMOTING MEASURES WITH REGARD TO LDCS," THE BILL THAT ALSO CONTAINS THE PROPOSAL FOR SWEDISH MEMBERSHIP IN THE IDB. DEBATE IN THE SWEDISH PARLIAMENT WILL BEGIN IN MID-MAY.

2. COMMERCE MINISTRY REPORT ON WHICH BILL IS BASED SAYS SUBJECT OF NEED FOR SUPPORT OF CONSULTANTS IN THEIR EFFORTS TO OBTAIN BIDS FROM LDCS HAS BEEN BROUGHT UP ON SEVERAL OCCASIONS SINCE 1967, MOST RECENTLY IN 1975 BY SWEDISH ASSOCIATION OF CONSULTANTS (SVENSKA KONSULTFÖRENINGEN) BECAUSE OF LONG-STANDING DIFFICULTY WITH FOREIGN COMPETITION. REPORT SAYS NEED FOR PRE-BID STUDIES HAS INCREASED WITH INTRODUCTION OF SWEDEN'S LDC COUNTRY PROGRAMS.

3. REPORT STATES ITS RATIONALE CLEARLY. "A NUMBER OF COUNTRIES PROVIDE EITHER DIRECT OR INDIRECT SUPPORT TO UNCLASSIFIED

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PRE-INVESTMENT STUDIES AND PRE-BID STUDIES. A LARGE NUMBER OF DAC COUNTRIES HAVE SET UP SPECIAL SUPPORT FUNDS TO THIS VERY END. CERTAIN OF THESE COUNTRIES HAVE, MOREOVER, ESTABLISHED GOVERNMENT INVESTMENT COMPANIES THAT PROVIDE FINANCIAL SUPPORT TO PRE-INVESTMENT STUDIES BOTH IN THE FORM OF CREDITS AND, IN CERTAIN CIRCUMSTANCES, BY FOOTING THE BILL FOR PARTS OF

THESE STUDIES. SOME FORM OF SUBSIDIZATION OF PRE-INVESTMENT AND PRE-BID STUDIES OCCURS IN AUSTRALIA, BELGIUM, CANADA, FRANCE, WEST GERMANY, ITALY, JAPAN, THE NETHERLANDS, NORWAY, THE UNITED KINGDOM, THE US, AND AUSTRIA ... IN ALL THE COUNTRIES INVESTIGATED-- POSSIBLY WITH THE EXCEPTION OF GERMANY--SOME FORM OF BID SUBSIDIZATION OCCURS ... MOST COUNTRIES SEEM TO LIMIT THIS USBSIDIZATION TO THE BIDDING OPERATIONS OF CONSULTANT FIRMS, BUT CERTAIN COUNTRIES PROVIDE IT TO ALL FIRMS ... IN THE US, THERE IS NO DIRECT CENTRAL PRE-BID WORK, BUT THE OVERSEAS PRIVATE INVESTMENT CORPORATION CARRIES OUT DETAILED COUNTRY ANALYSES THAT CONTAIN ECONOMIC, TECHNICAL, AND SCIENTIFIC DATA ON THE MARKETS THAT FACILITATE SUCH PRE-BID WORK VERY CONSIDERABLY... THE SUBSIDIES ARE ADMINISTERED IN DIFFERENT WAYS. IN THE US, THE SUBSIDY IS NOT CONNECTED TO FEDERAL BUDGET FUNDS BUT TO A SEMI-OFFICIAL ORGANIZATION, OPIC ... THE SUBSIDIES ARE USUALLY 50 PERCENT OF THE PRE-BID COST...AGREEMENT ON MAXIMUM COST FOR THE STUDY...IN THE US IS \$50,000... GENERALLY SPEAKING, THERE IS A REPAYMENT REQUIREMENT IF A CONTRACT IS WON OR AN INVESTMENT MADE ... SOME COUNTRIES ALSO ENJOY INDIRECT SUBSIDIZATION THROUGH THE CONSULTANT FIRMS' BUSINESS ORGANIZATIONS (AMONG OTHER COUNTRIES IS THE US AND JAPAN)...."

4. THE BILL ITSELF: (1) RECAPITULATES ARGUMENTS FAVORING INTRODUCTION OF SYSTEM OF PRE-BID SUBSIDIES, INCLUDING MINISTER OF COMMERCE'S STRESS ON RISKS TAKEN BY UNCLASSIFIED

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CONSULTANT FIRMS IN SPENDING MONEY ON PRE-BID WORK THAT MAY COME TO NOTHING, AND ALSO FACT THAT OTHER COUNTRIES HAVE SUPPORT SYSTEMS FOR THEIR CONSULTANTS' PRE-BIDS. (2) NOTES LINK BETWEEN PRE-BIDS AND BIDS ON ONE HAND AND BETTER CHANCES FOR SWEDISH EXPORT FIRMS ON OTHER. (3) PROPOSES THAT THE SWEDISH EXPORT COUNCIL SHOULD ADMINISTER THIS ACTIVITY IN THE FORM OF PROJECT COLLABORATION BETWEEN THE EXPORT COUNCIL AND THE FIRM IN QUESTION. (4) AFFORDS GUIDELINES, INCLUDING THAT THE PRE-BID STUDY OR THE BID ITSELF SHOULD RELATE TO A SPECIFIC PROJECT IN A DEVELOPING COUNTRY TO WHICH THE FIRM WISHES TO SUBMIT A BID AND COULD BE EXPECTED TO HAVE SOME EXPORT-PROMOTING EFFECT WERE IT TO BE SUCCESSFUL. IF GOVERNMENT MONEY IS TO BE PAID OUT, THE CONSULTANT FIRM MUST ALSO BE REGARDED AS HAVING A REASONABLE CHANCE OF OBTAINING THE JOB. THE EXPORT COUNCIL SHOULD NOT SUPPORT A PRE-BID STUDY OR BID THAT HAS BEEN DIRECTLY COMMISSIONED BY SOMEONE ELSE FOR A FEE. NOR, NORMALLY, SHOULD THIS SPECIAL FORM OF EXPORT

SUPPORT GO TO PRE-BID STUDIES OF DIRECT MARKETING.
(5) SUGGESTS LIMITATIONS IN THAT NO MORE THAN 50 PER-CENT OF THE COSTS OF A PRE-BID STUDY OR A BID SHOULD BE SUPPORTED WITH GOVERNMENT FUNDS, AND, FURTHER, THERE SHOULD BE A REPAYMENT REQUIREMENT IF A BID IS ACCEPTED.

5. MINISTER OF COMMERCE ESTIMATES THE COSTS AT SKR TWO MILLION FOR FISCAL YEAR 1977/78.

6. COMMENT. IT IS CLEAR THAT SWEDISH AUTHORITIES BELIEVE THEIR PROPOSED SUBSIDIES WOULD SIMPLY PUT SWEDEN IN COMPETITIVE POSTURE SIMILAR TO MANY OTHER INDUSTRIAL COUNTRIES, INCLUDING THE US. THE FATE OF THE BILL IS UNCERTAIN AS INTENSE OPPOSITION TO MEMBERSHIP FOR SWEDEN IN THE IDB EXISTS. SEE REFTEL B. IT WOULD BE POSSIBLE, OF COURSE, TO BREAK THE SUBSIDY PROPOSAL OUT OF THE BILL, IN VIEW OF A LONG HISTORY OF INTEREST
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